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China Nature Energy Technology Holdings Limited

中國納泉能源科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1597)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors (the “Directors” or “Board”) of China Nature Energy Technology Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 — unaudited

		Six months ended 30 June	
	Note	2021	2020
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	116,276	121,968
Cost of sales		<u>(94,453)</u>	<u>(92,951)</u>
Gross profit		21,823	29,017
Other revenue	5(a)	3,002	2,255
Other net (loss)/income	5(b)	(159)	338
Selling and distribution expenses		(1,971)	(1,571)
Administrative and other operating expenses		<u>(5,510)</u>	<u>(8,001)</u>
Profit from operations		17,185	22,038
Net finance costs	6(a)	(2,494)	(2,575)
Share of loss of joint ventures		<u>(521)</u>	<u>(474)</u>
Profit before taxation	6	14,170	18,989
Income tax	7	<u>(1,332)</u>	<u>(2,564)</u>
Profit for the period		<u>12,838</u>	<u>16,425</u>
Attributable to:			
Equity shareholders of the Company		12,624	16,363
Non-controlling interests		<u>214</u>	<u>62</u>
Profit for the period		<u>12,838</u>	<u>16,425</u>
Earnings per share	8		
Basic and diluted (RMB)		<u>0.050</u>	<u>0.087</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2021 — unaudited

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Profit for the period		12,838	16,425
Other comprehensive income for the period (after tax adjustment):			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of entities with functional currencies other than Renminbi (“RMB”)		<u>(1,059)</u>	<u>142</u>
Other comprehensive income for the period		<u>(1,059)</u>	<u>142</u>
Total comprehensive income for the period		<u>11,779</u>	<u>16,567</u>
Attributable to:			
Equity shareholders of the Company		11,565	16,505
Non-controlling interests		<u>214</u>	<u>62</u>
Total comprehensive income for the period		<u>11,779</u>	<u>16,567</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 — unaudited

	<i>Note</i>	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		99,616	101,048
Interests in joint ventures		496	417
Contract assets		1,276	762
Deferred tax assets		195	269
		101,583	102,496
Current assets			
Inventories		31,674	16,589
Trade and other receivables	9	220,258	275,965
Financial assets measured at fair value through profit or loss		5,172	—
Pledged deposits		23,253	30,960
Cash and cash equivalents		71,478	121,416
		351,835	444,930
Current liabilities			
Bank loans and other borrowings		46,310	93,572
Trade and other payables	10	147,872	204,871
Lease liabilities		1,457	1,620
Current taxation		708	1,665
		196,347	301,728
Net current assets		155,488	143,202
Total assets less current liabilities		257,071	245,698

		At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Non-current liabilities			
Trade and other payables	10	632	—
Lease liabilities		<u>5,215</u>	<u>4,597</u>
		<u>5,847</u>	<u>4,597</u>
NET ASSETS		<u>251,224</u>	<u>241,101</u>
CAPITAL AND RESERVES			
Share capital	11	2,168	2,168
Reserves		<u>248,803</u>	<u>236,998</u>
Total equity attributable to equity shareholders of the Company		250,971	239,166
Non-controlling interests		<u>253</u>	<u>1,935</u>
TOTAL EQUITY		<u>251,224</u>	<u>241,101</u>

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

China Nature Energy Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 28 November 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 20 October 2020. The Company and its subsidiaries (collectively as the “**Group**”) are principally engaged in integration, manufacturing and sales of pitch control systems and related components, wind power generation and wind farm operation and maintenance business in the People’s Republic of China (the “**PRC**”).

2 BASIS OF PREPARATION

The interim financial report of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (IASB). It was authorised for issue on 27 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The interim financial report is unaudited.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the integration, manufacturing and sales of pitch control systems and related components, sales of wind power and wind farm operation and maintenance business. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Sales of pitch control systems and related components	90,929	95,275
Sales of wind power	12,242	9,444
Wind farm operation and maintenance business	13,105	17,249
	<u>116,276</u>	<u>121,968</u>

The Group's revenue from contracts with customers were recognised at point in time for the six months ended 30 June 2021 and 2020. Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 4(b)(iii).

(b) Segment reporting

The Group manages its businesses by division, which is organised by business lines (sales of pitch control systems and related components, sales of wind power and wind farm operation and maintenance business). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No individually mentioned operating segments have been aggregated to form the following reportable segments.

- Sales of pitch control systems and related components: it engages in the research and development, integration, manufacturing and sale of the pitch control systems and related components in wind turbines manufacturing;
- Sales of wind power: it engages in the sale of the wind power electricity generated from wind farms; and
- Wind farm operation and maintenance business: it provides wind farm operation and maintenance, upgrade and modification services and engages in the sale of wind farm consumables.

(i) Segment results and assets

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets include trade and other receivables, inventories, contract assets and property and plant and equipment, with the exception of interests in joint ventures, deferred tax assets, financial assets measured at fair value through profit or loss, cash and cash equivalents, pledged deposits and other corporate assets.

The measure used for reporting segment profit is gross profit.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below:

	Six months ended 30 June 2021			
	Sales of pitch control systems and related components <i>RMB'000</i>	Sales of wind power <i>RMB'000</i>	Wind farm operation and maintenance business <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>90,929</u>	<u>12,242</u>	<u>13,105</u>	<u>116,276</u>
Reportable segment profit	<u>9,973</u>	<u>7,712</u>	<u>4,138</u>	<u>21,823</u>
	Six months ended 30 June 2020			
	Sales of pitch control systems and related components <i>RMB'000</i>	Sales of wind power <i>RMB'000</i>	Wind farm operation and maintenance business <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>95,275</u>	<u>9,444</u>	<u>17,249</u>	<u>121,968</u>
Reportable segment profit	<u>18,710</u>	<u>5,624</u>	<u>4,683</u>	<u>29,017</u>
	As at 30 June 2021			
	Sales of pitch control systems and related components <i>RMB'000</i>	Sales of wind power <i>RMB'000</i>	Wind farm operation and maintenance business <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment assets	<u>212,535</u>	<u>120,751</u>	<u>18,040</u>	<u>351,326</u>
	As at 31 December 2020			
	Sales of pitch control systems and related components <i>RMB'000</i>	Sales of wind power <i>RMB'000</i>	Wind farm operation and maintenance business <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment assets	<u>254,576</u>	<u>120,239</u>	<u>19,549</u>	<u>394,364</u>

(ii) *Reconciliations of reportable segment revenues and profit or loss*

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	<u>116,276</u>	<u>121,968</u>
Consolidated revenue	<u><u>116,276</u></u>	<u><u>121,968</u></u>
Profit		
Reportable segment profit	21,823	29,017
Other revenue	3,002	2,255
Other net (loss)/income	(159)	338
Selling and distribution expenses	(1,971)	(1,571)
Administrative and other operating expenses	(5,510)	(8,001)
Net finance costs	(2,494)	(2,575)
Share of loss of joint ventures	<u>(521)</u>	<u>(474)</u>
Consolidated profit before taxation	<u><u>14,170</u></u>	<u><u>18,989</u></u>

(iii) *Geographic information*

IFRS 8, *Operating Segments*, requires identification and disclosure of information about an entity's geographical areas, regardless of the entity's organisation (i.e. even if the entity has a single reportable segment). The Group operates within one geographical location because all of its revenue was generated in the PRC and all of its non-current assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

(a) **Other revenue**

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
VAT refund (<i>Note i</i>)	1,152	1,943
Government subsidies (<i>Note ii</i>)	1,848	312
Others	<u>2</u>	<u>—</u>
	<u><u>3,002</u></u>	<u><u>2,255</u></u>

Notes:

- (i) Pursuant to Taxation Policy for Encouraging the Development of Software and Integrated Circuits Industry (Guofa [2011] No.4), enterprises engaged in the sales of self-developed software in the PRC are entitled to VAT refund to the extent that the effective VAT rate of the sales of the software products in the PRC exceeds 3% of the sales amounts. During the six months ended 30 June 2021 and 2020, the Group received such VAT refund of RMB236,000 and RMB1,943,000 respectively.

Pursuant to Taxation Policy for Encouraging the Development of Wind Power Electricity (Guofa [2015] No.74), enterprises engaged in the sales of wind power electricity in the PRC are entitled to VAT refund of 50% as payment. During the six months ended 30 June 2021 and 2020, the Group received such VAT refund of RMB916,000 and RMB nil.

- (ii) During the six months ended 30 June 2021 and 2020, the Group received unconditional government subsidies of RMB1,848,000 and RMB312,000 respectively, as encouragement of their contribution in technology development and local economy.

(b) Other net (loss)/income

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net exchange (loss)/gain	(58)	388
Net gains on financial assets measured at fair value through profit or loss	31	—
Others	(132)	(50)
	(159)	338

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank loans	1,113	1,170
Interest expenses on loans due to third parties	1,420	1,243
Interest expense on lease liabilities	157	24
Others	—	203
	2,690	2,640
Interest income	(196)	(65)
Net finance costs	2,494	2,575

(b) Staff costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and other benefits	10,217	5,675
Contributions to defined contribution retirement plan	617	210
	<u>10,834</u>	<u>5,885</u>

(c) Other items

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cost of inventories recognised as expenses (<i>Note</i>)	91,794	87,781
Depreciation charges		
— owned property, plant and equipment	3,169	3,080
— right-of-use assets	1,044	191
Reversal of loss allowance on trade and other receivables	(493)	(39)
Listing expenses	—	5,716
Auditors' remuneration	300	530
	<u>300</u>	<u>530</u>

Note:

Cost of inventories recognised as expenses includes amounts relating to staff costs, depreciation of property, plant and equipment and research and development expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax — PRC Corporate Income Tax		
Provision for the year	1,258	2,558
Deferred tax		
Origination and reversal of temporary differences	74	6
	<u>1,332</u>	<u>2,564</u>

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB12,624,000 (six months ended 30 June 2020: RMB16,363,000) and the weighted average of 250,000,000 ordinary shares (2020: 187,500,000 shares, after adjusting for the capitalisation issue in 2020) in issue during the interim period.

(b) Diluted earnings per share

Diluted earnings per share for the period ended 30 June 2021 and 2020 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Trade and bills receivable, net of loss allowance	217,391	271,408
Prepayments	1,389	2,836
Other receivables	1,478	1,721
	<u>220,258</u>	<u>275,965</u>
Total	<u>220,258</u>	<u>275,965</u>

All of trade and other receivables balances are expected to be recovered or recognised as expense within one year.

Trade and bills receivable

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Trade receivables	153,219	221,565
Bills receivable	65,470	51,634
	<u>218,689</u>	<u>273,199</u>
Less: loss allowance	(1,298)	(1,791)
	<u>217,391</u>	<u>271,408</u>

As of the end of the reporting period, the aging analysis of trade and bills receivable, based on the revenue recognition date and net of loss allowance, is as follows:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Within 1 year	202,599	260,025
Over 1 year but within 2 years	8,961	11,383
Over 2 years but within 3 years	5,831	—
	<u>217,391</u>	<u>271,408</u>

Generally, the Group's trade receivables are due within 30 to 90 days from the date of billing, except for the tariff premium. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid company, which therefore takes a relatively long time for settlement. As at 30 June 2021, the tariff premium receivables included in the trade and other receivables amounted to RMB28,488,000 (31 December 2020: RMB23,222,000).

Pursuant to Caijian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of standardised procedures for the settlement of the tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. The directors of the Company are of the opinion that the tariff premium receivables are fully recoverable considering that there are no loss experiences with the grid company in the past and the tariff premium is funded by the PRC government.

10 TRADE AND OTHER PAYABLES

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Current		
Trade payables	63,404	71,836
Bills payable	48,942	96,215
Contract liabilities	2,543	—
Other payables	32,983	36,820
	<u>147,872</u>	<u>204,871</u>
Non-current		
Retention payables	632	—
	<u>148,504</u>	<u>204,871</u>

Trade payables

As of the end of the reporting period, the aging analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Within 3 month	60,833	67,766
3 to 6 months	1,771	3,270
6 to 12 months	—	—
Over 12 months	800	800
	<u>63,404</u>	<u>71,836</u>

All of the trade payables are expected to be settled within one year or repayable on demand.

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividend was paid or declared by the Company for the six months ended 30 June 2021 and 2020.

(b) Share capital

	At 30 June 2021		At 31 December 2020	
<i>Note</i>	<i>No. of shares</i>	<i>RMB'000</i>	<i>No. of shares</i>	<i>RMB'000</i>
Ordinary shares, issued and fully paid:				
At the beginning of the period/year	250,000,000	2,168	10,000	—*
Capitalisation issue	(i) —	—	187,490,000	1,626
Issues of ordinary shares by initial public offering	(ii) —	—	62,500,000	542
At the end of the period/year	<u>250,000,000</u>	<u>2,168</u>	<u>250,000,000</u>	<u>2,168</u>

* The balance represented number less than RMB1,000.

Notes:

(i) Capitalisation issue

Pursuant to the shareholder's resolution dated 4 September 2020, the directors of the Company are authorised to allot and issue 187,490,000 shares at a par value of HK Dollar 0.01 each to the then the actual controller of the Group. This resolution was conditional upon the share premium account being credited as a result of the Company's initial public offering and pursuant to this resolution, a sum of RMB1,625,913 standing to the credit of the share premium account as at 28 October 2020 was applied in paying up this capitalisation issue in full.

(ii) Issue of ordinary shares by initial public offering

On 20 October 2020, the Company issued 62,500,000 shares with a par value of HK Dollar 0.01, at an offer price of HK Dollar 2.00 per share by way of public offering to Hong Kong and overseas investors. Net proceeds from these issues amounted to RMB98,160,000 (after offsetting costs directly attributable to the issue of shares of RMB10,680,000), out of which RMB542,000 and RMB97,168,000 were recorded in share capital and share premium accounts, respectively.

(c) Acquisition of non-controlling interests

On 9 April 2021, the Group acquired 3.03% equity interest in Datang Gucang Duolun New Energy Co., Ltd., a controlled subsidiary of the Group principally engaged in the wind power generation and sales in the PRC, from the holder of non-controlling interests at a consideration of RMB1,656,000. Upon the completion of the acquisition of non-controlling interests, Datang Gucang Duolun New Energy Co., Ltd. became a wholly owned subsidiary of the Group. The acquisition of non-controlling interests resulted in an increase in other reserve of RMB240,000 for the six months ended 30 June 2021, being the difference between the cash consideration paid to the holder of non-controlling interests and the carrying amount of non-controlling interests acquired on the date of the acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group focuses on the integrated services for the new energy power industry, is a leading wind power and pitch control system solution provider in the PRC, and was successfully listed on the Main Board of the Hong Kong Stock Exchange on 20 October 2020 (stock code: 1597). Centered on the two core industries of wind power pitch control system and energy storage, the Group has established a mature business network in North China, East China and South China, laying the foundations for the new energy business worldwide.

INDUSTRY OVERVIEW

As the National People's Congress and the Chinese People's Political Consultative Conference in 2021 set carbon emission peak, carbon neutrality and "3060" targets as the main targets in China's battle for pollution prevention and control during the 14th Five-Year Plan period, the strategic position of renewable energy represented by photovoltaics and wind power has become prominent. As the main source of power generation by renewable energy, wind power will continue to maintain the trend of large-scale and continuous growth, and energy storage, as a key technology to support the development of renewable energy, will usher in enormous development opportunities for becoming the next industry with a value above RMB1 trillion. The Board believes that the energy storage business will bring new opportunities to the development of the Group.

BUSINESS REVIEW

We are a wind power and pitch control system solution provider in the PRC, in addition to which, the Group has established Nature Smart Energy (Shenzhen) Co., Ltd. (納泉智慧能源(深圳)有限公司) on 20 April 2021 to vigorously develop the energy storage business. With such efforts, the Group will become an integrated service provider in the new energy power industry.

PITCH CONTROL SYSTEM RELATED INTEGRATION, MANUFACTURING AND SALES

We develop, manufacture and sell (1) customised pitch control systems and (2) customised core components of pitch control systems, such as pitch drive controllers and motors, according to the requirements of our customers, and generate revenue from product sales and integration charges. Our pitch control system products are integrated with the premium components that we source from KEB Group. We also offer customised integration services of major components of pitch control systems. Our customers mainly consist of leading wind turbine manufacturers in the PRC, including Envision Group and Shanghai Electric, and we have established stable relationships with our partners.

During the six months ended 30 June 2021, we further developed high-quality new customers and expanded our share in the pitch control system market. With the development of the new customers such as Sany Group and Sinovel, the Group's pitch control system business covered five of the ten largest web hosting companies in the PRC. During the six months ended 30 June 2021, the Group delivered a total of 641 sets of pitch control system products, and the products delivered included different types of 2 MW to 5 MW models.

WIND POWER GENERATION

We commenced our wind power generation business in 2015 by operating our Duolun Wind Farm in Inner Mongolia. Our Duolun Wind Farm is a centralised wind farm installed with 13 wind turbines with total installed capacity of 19.5MW, where we admit electricity generated to the local power grid and sell electricity generated to the local power grid company. We collect on-grid tariff from the local power grid company based on the meter readings at an agreed rate on a monthly basis.

During the six months ended 30 June 2021, the half-year utilisation hours of our Duolun Wind Farm were 1,820 hours, and the half-year total wind power generated and admitted to the power grid was 35.48 million kWh.

WIND FARM OPERATION AND MAINTENANCE

We offer wind farm operation and maintenance services to our customers, which include (1) general operation and maintenance service for wind farms; (2) upgrade and modification works for pitch control systems; and (3) supply of consumables. We offer timely and high-quality operation and maintenance services to our customers, for which we charge service fees and cost of the sales of consumables.

During the six months ended 30 June 2021, the Group's operation and maintenance team had 81 staff, mainly responsible for the provision of operation and maintenance services to the wind farms of Envision Energy situated throughout China.

SMART ENERGY

By taking Nature Smart Energy (Shenzhen) Co., Ltd. as a platform, we take advantage of advanced technologies such as energy storage, cloud platform, Internet of Things, big data and artificial intelligence, to devote ourselves to the investment in, the provision of overall solutions for, and the product research and development, integration and manufacturing for integrated energy service projects such as photovoltaic energy storage, wind power storage, thermal power storage, and cooling and heating power-based smart micro-grids. Customers mainly comprise power systems, thermal power plants, new energy stations and industrial and commercial users, etc.

OUTLOOK OF THE GROUP

The Group will focus on the two core industries of wind power pitch control system and smart energy as the development direction, maintain its share and leading position in domestic pitch control system market, optimise resources deployment and vigorously develop the smart energy business. The Group will commence the following major works in the future:

(1) Maintain and enhance our market position in pitch control system market to increase market share

The Group will continue to maintain its technology, quality and services, and further deepen the cooperation with existing customers. Meanwhile, the Group will expand its customer base by way of customer diversification to safeguard the Group's leading position in the high-voltage pitch control system market in the PRC.

(2) Further strengthen our R&D function to enrich our solutions offering

The Group will expand its technical and R&D team with the addition of software and other R&D equipment and strengthen its R&D capabilities. Meanwhile, we will continue the research and development and application of high-efficiency pitch products such as the 8 MW and 12 MW models to safeguard technological advancement.

(3) Actively explore and develop smart energy business

The Group will actively set up the technical, management and marketing teams of Nature Smart Energy (Shenzhen) Co., Ltd., complete the construction of the 4MW wind power storage demonstration project in Duolun Wind Farm and put it into operation, and sign orders for energy storage business as soon as possible, striving to create new profit drivers in the smart energy industry.

FINANCIAL POSITION AND OPERATING RESULTS

In 2021, the Group continued to proactively expand and secure its market share, and explore and develop key high-quality customers, so as to realise stable development of its principal businesses.

REVENUE

During the six months ended 30 June 2021, the Group recorded a total revenue of approximately RMB116 million, representing a decrease of 4.7% from approximately RMB122 million in the first half of 2020, which was mainly due to the decrease in the selling prices of the Group's pitch control system products during the reporting period.

The table below sets forth a breakdown of the Group's revenue during the reporting period:

	Six months ended 30 June 2021	Six months ended 30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Pitch control system related integration, manufacturing and sales	90,929	95,275
Wind power generation	12,242	9,444
Wind farm operation and maintenance	13,105	17,249
Total	<u>116,276</u>	<u>121,968</u>

In the first half of 2021, revenue generated from the pitch control system business amounted to approximately RMB91 million, representing a decrease of approximately RMB4 million or approximately 4.2% from the first half of 2020, which was mainly due to the decrease in the selling price to customers as a result of the adjustment to pricing strategy in response to market development.

In the first half of 2021, revenue generated from the wind power generation business amounted to approximately RMB12 million, representing an increase of approximately RMB3 million or approximately 33.3% from the same period of 2020. It was mainly because the wind resources were generally better than the same period of last year and the power rationing policy was lightened.

In the first half of 2021, revenue generated from wind farm operation and maintenance business amounted to approximately RMB13 million, representing a decrease of approximately RMB4 million or 23.5% from approximately RMB17 million in the first half of 2020, which was mainly due to the decrease in customer orders.

COST OF SALES

For the six months ended 30 June 2021, the Group's cost of sales amounted to approximately RMB94 million, representing an increase of approximately 1.1% from approximately RMB93 million in the first half of 2020, which was mainly due to the increase in the prices of the corresponding raw materials for pitch systems.

For the six months ended 30 June 2021, the costs of sales of the Group's business segments were as follows:

The cost of sales of pitch control system business mainly consists of raw material costs, staff costs and depreciation. The cost of sales of pitch control system business amounted to approximately RMB81 million, representing an increase of approximately 5.2% from approximately RMB77 million in the first half of 2020, which was mainly due to the increase in the prices of raw materials.

The cost of sales of wind power generation business mainly includes depreciation and staff costs. The cost of sales of wind power generation business amounted to approximately RMB5 million, representing an increase of approximately RMB1 million from approximately RMB4 million in the first half of 2020, which was mainly due to the increase in the revenue from wind power generation leading to the increase in the corresponding costs.

The cost of sales of wind farm operation and maintenance business mainly includes raw material costs and staff costs. The cost of sales of wind farm operation and maintenance business amounted to approximately RMB9 million, representing a decrease of RMB4 million from approximately RMB13 million in the first half of 2020, which was mainly due to the decrease in revenue from the supply of consumables.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2021, the Group's gross profit amounted to approximately RMB22 million, representing a decrease of 24.1% from approximately RMB29 million in the first half of 2020, which was mainly due to the decrease in the revenue from principal businesses; the overall gross profit margin was 19%, representing a decrease of approximately 5 percentage points from the first half of 2020, which was mainly due to the increase in the prices of raw materials and the decrease of the selling price of pitch control systems.

For the six months ended 30 June 2021, the gross profits of the Group's business segments were as follows:

The gross profit of pitch control system business amounted to approximately RMB10 million, representing a decrease of RMB9 million from approximately RMB19 million in the first half of 2020, which was mainly due to the increase in the costs of raw materials and the decrease in the selling prices of products resulting from the development of new customers and market competition.

The gross profit of wind power generation business amounted to approximately RMB8 million, representing an increase of approximately RMB2 million from approximately RMB6 million in the first half of 2020, which was mainly due to the increase in revenue from power generation because the wind resources were generally better than the same period of last year and the power rationing policy was improved.

The gross profit of wind farm operation and maintenance business amounted to approximately RMB4 million, representing a decrease of RMB1 million from approximately RMB5 million in the first half of 2020, which was mainly due to the decrease in revenue from the supply of consumables.

OTHER REVENUE

For the six months ended 30 June 2021, the Group's other revenue amounted to approximately RMB3 million, representing an increase of approximately RMB1 million from approximately RMB2 million in the first half of 2020, which was mainly due to the receipt of government subsidy in the first half of 2021.

SELLING AND DISTRIBUTION EXPENSES

For the six months ended 30 June 2021, the Group's selling and distribution expenses amounted to approximately RMB2 million, which was basically the same as that in the first half of 2020.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

For the six months ended 30 June 2021, the Group's administrative and other operating expenses amounted to approximately RMB6 million, representing a decrease of approximately RMB2 million from approximately RMB8 million in the first half of 2020, which was mainly due to the decrease in listing expenses recognised by the Group after the completion of listing.

FINANCE COSTS

Finance costs mainly represent the interest expenses on bank borrowings and borrowings from third parties. For the six months ended 30 June 2021, the Group's finance costs amounted to approximately RMB3 million, which was basically the same as that in the first half of 2020.

GEARING RATIO

Gearing ratio is calculated as the Group's total debts divided by total assets. For the six months ended 30 June 2021, the Group's gearing ratio was 44.6%, representing a decrease of approximately 11.4% from 56% as at 31 December 2020, which was mainly due to the repayment of third-party borrowings by the Group's subsidiaries during the period.

INCOME TAX EXPENSE

For the six months ended 30 June 2021, the Group's income tax expense amounted to approximately RMB1 million, representing a decrease of approximately 66.7% from approximately RMB3 million in the first half of 2020, and the effective tax rate was 9% and 14% for the first half of 2021 and the first half of 2020, respectively, which was mainly due to the decrease in the current income tax expense for the first half of 2021 resulting from the tax filing difference from the year 2020 and the impact of additional deduction resulting from the increase in research and development expenses.

PROFIT FOR THE REPORTING PERIOD

For the six months ended 30 June 2021, the Group's profit for the period amounted to approximately RMB13 million, representing a decrease of approximately RMB3 million or 18.8% from approximately RMB16 million in the first half of 2020.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE GROUP

As of 30 June 2021, profit attributable to the owners of the Group amounted to approximately RMB13 million, representing a decrease of approximately RMB3 million from approximately RMB16 million in the first half of 2020.

LIQUIDITY AND SOURCE OF CAPITAL

The working capital of the Group is derived from the cash flows generated from our operating activities, the existing cash and cash equivalents of the Company, bank loans and net proceeds from listing. After careful enquiry and prudent analysis, our Directors believe that the Group has sufficient working capital to satisfy its present operating needs and the needs for the year ending 31 December 2021.

CASH FLOWS

As of 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB71 million, representing an increase of approximately RMB32 million from approximately RMB39 million as of 30 June 2020, which was mainly due to the net proceeds from listing.

CAPITAL EXPENDITURES

In the first half of 2021, the Group did not incur any capital expenditures. Jiangyin Hongyuan New Energy Technology Co., Ltd., a subsidiary of the Group, signed a project agreement with New Energy Industrial Park, Jiangsu Jiangyin Lingang Economic Development Zone* (江蘇江陰臨港經濟開發區新能源產業園) on 10 March 2021 for a possible acquisition, and will bid for the project land. The Group expects to incur an expenditure of approximately RMB6 million for land purchase and approximately RMB15 million for plant construction.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS BY THE GROUP

As at 30 June 2021, the Group pledged the leasehold lands, motors and other equipment of its subsidiaries to secure bank loans with a balance of approximately RMB6 million (balance of bank loans as at 31 December 2020: approximately RMB14 million).

HUMAN RESOURCES

The stable development of the Group's existing businesses and the development of new business are inseparable from the support of its talented workforce. As at 30 June 2021, the Group employed a total of 176 employees (31 December 2020: 165 employees), all of which entered into labour contracts with the Group. According to the PRC Labour Law and the relevant laws and regulations, the positions, responsibilities, remunerations, staff benefits, trainings, obligation of confidentiality and other related matters of the employees were specifically agreed upon in the contracts.

POTENTIAL RISKS

Political uncertainty risk

The development and the profitability of the business operation of the Group are significantly influenced by the laws, policies and regulations of the wind power industry in the PRC. If there is any change in the government support for the wind power industry in which we operate, or any change in policies related to the industry, the demand for pitch control systems and wind power solutions may decrease, thus affecting the business operation of the Group.

Financial risk

If the Group fails to generate sufficient cash flows from business operation, it may materially affect the normal operation of the Group. In addition, accounts receivable and bills receivable are affected by the uncertainty of the operation of customers, which may lead to the risk of delayed cash collection of the Company. The Group will enhance the management on accounts receivable and monitor the real-time cash status on an ongoing basis, so as to effectively control the financial risk.

Customer concentration risk

During the six months ended 30 June 2021, most of the Group's revenue was still derived from the largest customer, Envision Group, which accounted for approximately 78%. Any reduction or loss of business transactions between the Group and its largest customer will adversely affect our business, financial condition and results of operations.

The Group has entered into a long-term cooperation agreement with Envision Energy, and is currently carrying out cooperation according to the cooperation agreement. In addition, the Group has been continuing to develop new high-quality customers in different sub-sectors, and has signed orders with new customers for new business, which can effectively solve the risk of the Group's reliance on customers.

Foreign exchange risk

The Group mainly operates in the PRC, and most of the transactions in the course of operation are denominated in Renminbi. As at 30 June 2021, the non-RMB assets are mainly cash and cash equivalents, which are denominated in Hong Kong dollars or U.S. dollars. The Group has not entered into any forward foreign exchange contracts to hedge foreign exchange risk, but the management will monitor the foreign exchange risk on an ongoing basis and adopt prudent measures to mitigate foreign exchange risk.

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 20 October 2020, for which the Company issued 62.5 million new shares. After deducting related listing expenses, the Company received net proceeds from listing of approximately HK\$112.6 million (approximately RMB98.2 million). Such net proceeds are intended to be used in the same way and proportion as disclosed in the section headed "Future plans and use of proceeds" in the prospectus. Further details of the use of proceeds are set out in the section headed "Use of Proceeds" in the prospectus.

As of 30 June 2021, the Group has utilized part of the net proceeds from listing, and unutilized net proceeds have been placed with licensed bank in Hong Kong. As of 30 June 2021, as far as the Directors are aware, the intended use of proceeds as stated in the section headed "Use of proceeds" in the prospectus had no material changes. In the second half of 2021, the Company will utilize the proceeds from initial public offering according to its development strategies, market conditions and the intended use of such proceeds.

The following table stated the Group's usage of the net proceeds during the period between the listing date and 30 June 2021 and the estimated utilization schedule:

Use stated in the prospectus	Net proceeds from initial public offering (RMB million) (Note 1)	Net proceeds utilized as of 30 June 2021 (RMB million)	Remaining net proceeds available as at 30 June 2021 (RMB million)	Estimated schedule for full utilization of the remaining net proceeds
(1) Purchase core components and raw materials necessary for the production of customised high-voltage pitch control systems to fulfill the expected purchase volume for Jiangyin Envision pursuant to our binding ten-year framework agreement (Note 2)	17.9	8.8	9.1	1 July 2021 to 31 December 2021
(2) Diversify our customer base in the pitch control system market by increasing our marketing efforts (Note 3)	3.4	1.3	2.1	1 July 2021 to 31 December 2022
(3) Invest into the development of a new distributed wind farm by Lingqiu Fengyuan in Lingqiu, Datong, Shanxi (Note 4)	31.3	—	31.3	1 July 2021 to 31 December 2021
(4) Recruit 70 additional service personnel to expand our wind farm operation and maintenance services (Note 5)	3.6	0.02	3.58	1 July 2021 to 30 June 2022
(5) Further strengthen our R&D capabilities to enrich our pitch control systems and solutions offering (Note 6)	10.9	—	10.9	1 July 2021 to 31 December 2022
(6) Full repayment of a loan due to a third party by our Duolun Wind Farm (Note 7)	21.4	21.4	—	N/A
(7) General working capital	9.6	3.8	5.8	From 1 January 2021 to 31 December 2022

- Note 1:* As disclosed in the prospectus, after deducting underwriting fees and relevant expenses paid by the Company and assuming the over-allotment option is not exercised, the estimated net proceeds from the initial public offering amounted to approximately RMB100.3 million. The actual net proceeds of the Company amounted to approximately RMB98.2 million. Save for the net proceeds from global offering intended for (1) the investment into the development of a new distributed wind farm in Lingqiu, Datong, Shanxi; and (2) the full repayment of a loan due to a third party by our Duolun Wind Farm, the Company intended to make adjustment for the difference of approximately RMB2.1 million according to the same method and proportion of use of proceeds as disclosed in the section headed “Future plans and use of proceeds” in the prospectus.
- Note 2:* During the six months ended 30 June 2021, the Group has used the net proceeds of approximately RMB8.8 million to purchase core components and raw materials to meet Jiangyin Envision’s purchase order requirements. The Company expects to continue to use the net proceeds to purchase core components and raw materials in the second half of 2021 in order to fulfill the purchase orders corresponding to the sales of the customer, Jiangyin Envision.
- Note 3:* During the six months ended 30 June 2021, the Group did not identify any on-site exhibitions that would make significant contributions to business promotion, and the Company did not participate in any exhibitions during this period. During the six months ended 30 June 2021, the Company entered into prototype procurement agreements with new customers such as Sinovel and Windey, and has used the net proceeds of approximately RMB1.3 million to develop and manufacture eight sets of prototypes. The Company expects to continue to use the net proceeds to develop and manufacture prototypes according to the prototype procurement orders from new customers and complete prototype delivery according to the requirements of new customers in the second half of 2021. The Group currently plans to recruit additional sales personnel, but no suitable candidate has been identified as of 30 June 2021. The Group expects to continue to recruit additional sales personnel in the second half of 2021 to effectively expand its customer base.
- Note 4:* The distributed wind farm invested into by the Group through Lingqiu Fengyuan is currently in the process of completing relevant procedures as it did not complete the relevant procedures with government authorities before the commencement of construction. The Group expects to commence construction after completing the pre-construction government approval procedures in the second half of 2021, and will use the net proceeds as planned.
- Note 5:* During the six months ended 30 June 2021, 4 operation and maintenance personnel were newly recruited, and the net proceeds of approximately RMB0.02 million have been used to pay salaries. In the second half of 2021, the Group will use the net proceeds to continuously recruit appropriate operation and maintenance personnel, and continue to expand operation and maintenance services.
- Note 6:* The Group originally planned to purchase additional R&D equipment and software from the listing date to 30 June 2021. Currently, the Group’s technical team and procurement team are still negotiating with suppliers on the acquisition of additional R&D equipment and software, and no procurement agreement has been reached by 30 June 2021. The Company expects to purchase additional R&D equipment and software in the second half of 2021 based on the final negotiation results with suppliers.
- Note 7:* The Group originally planned to repay the loan due to a third party by 31 December 2020. After friendly negotiation with the lender, the parties entered into an extension agreement, under which the maturity is delayed till before 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. The Company has complied with the required code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2021.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having been made specific enquiry, the Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2021.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company established the audit committee with written terms of reference in compliance with the CG Code (the "Audit Committee"). As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Yip Chun On, Mr. Kang Jian and Mr. Li Shusheng. Mr. Yip Chun On is the chairman of the Audit Committee.

The Audit Committee of the Company has discussed with the management the accounting principles and policies adopted by the Group and has reviewed the Group's unaudited interim consolidated financial statements for the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.jyhyne.com and the Stock Exchange's website at www.hkexnews.hk. The interim report for the six months ended 30 June 2021 will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
China Nature Energy Technology Holdings Limited
Cheng Liquan Richard
Chairman

Hong Kong, 27 August 2021

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Cheng Liquan Richard and Mr. Cheng Li Fu Cliff, two non-executive Directors, namely, Mr. Wang Lubin and Mr. Li Hao and three independent non-executive Directors, namely, Mr. Yip Chun On, Mr. Kang Jian and Mr. Li Shusheng.